

TSYS
Financial Highlights
(unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Percent Change	2017	2016	Percent Change
Total revenues	\$ 1,247,576	1,146,888	8.8 %	\$ 3,654,676	3,037,853	20.3 %
Cost of services*	898,471	840,300	6.9	2,638,214	2,166,731	21.8
Selling, general and administrative expenses*	149,413	151,261	(1.2)	456,339	428,287	6.5
Total expenses	<u>1,047,884</u>	<u>991,561</u>	5.7	<u>3,094,553</u>	<u>2,595,018</u>	19.2
Operating income	199,692	155,327	28.6	560,123	442,835	26.5
Nonoperating expenses*	<u>(28,835)</u>	<u>(30,368)</u>	5.0	<u>(88,780)</u>	<u>(82,225)</u>	(8.0)
Income before income taxes and equity in income of equity investments	170,857	124,959	36.7	471,343	360,610	30.7
Income taxes	<u>54,628</u>	<u>44,247</u>	23.5	<u>153,917</u>	<u>127,966</u>	20.3
Income before equity in income of equity investments	116,229	80,712	44.0	317,426	232,644	36.4
Equity in income of equity investments, net of tax*	<u>8,497</u>	<u>6,729</u>	26.3	<u>30,919</u>	<u>18,953</u>	63.1
Net income	124,726	87,441	42.6	348,345	251,597	38.5
Net income attributable to noncontrolling interests	<u>(1,631)</u>	<u>(2,089)</u>	21.9	<u>(4,368)</u>	<u>(5,909)</u>	26.1
Net income attributable to TSYS common shareholders	<u>\$ 123,095</u>	<u>85,352</u>	44.2 %	<u>\$ 343,977</u>	<u>245,688</u>	40.0 %
Earnings per share (EPS):						
Basic EPS	<u>\$ 0.67</u>	<u>0.46</u>	43.9 %	<u>\$ 1.87</u>	<u>1.34</u>	39.6 %
Diluted EPS	<u>\$ 0.66</u>	<u>0.46</u>	43.3 %	<u>\$ 1.85</u>	<u>1.33</u>	39.2 %
Weighted average shares outstanding: (includes participating securities)						
Basic	<u>184,272</u>	<u>183,830</u>		<u>184,107</u>	<u>183,601</u>	
Diluted	<u>185,809</u>	<u>184,640</u>		<u>185,472</u>	<u>184,429</u>	
Dividends declared per share	<u>\$ 0.13</u>	<u>0.10</u>		<u>\$ 0.33</u>	<u>0.30</u>	
<u>Non-GAAP measures:**</u>						
Net revenue	<u>\$ 852,759</u>	<u>789,588</u>	8.0 %	<u>\$ 2,529,719</u>	<u>2,256,169</u>	12.1 %
Adjusted EBITDA	<u>\$ 309,461</u>	<u>269,142</u>	15.0 %	<u>\$ 904,396</u>	<u>774,003</u>	16.8 %
Adjusted earnings	<u>\$ 162,667</u>	<u>130,673</u>	24.5 %	<u>\$ 473,148</u>	<u>386,799</u>	22.3 %
Adjusted diluted EPS	<u>\$ 0.88</u>	<u>0.71</u>	23.7 %	<u>\$ 2.55</u>	<u>2.10</u>	21.6 %

* Certain prior year amounts have been reclassified between nonoperating expenses and equity in income of equity investments, net of tax.

** See reconciliation of non-GAAP measures.

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TSYS
Segment Breakdown
(unaudited)
(in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change		2017	2016	Change	
			\$	%			\$	%
Adjusted operating income by segment:								
Issuer Solutions (a)	\$ 147,758	128,949	18,809	14.6 %	\$ 428,909	392,519	36,390	9.3 %
Merchant Solutions (b)	103,275	90,784	12,491	13.8	296,551	219,056	77,495	35.4
Netspend (c)	48,560	40,856	7,704	18.9	143,251	125,538	17,713	14.1
Corporate admin and other	(39,560)	(37,022)	(2,538)	(6.9)	(111,170)	(99,830)	(11,340)	(11.4)
Adjusted segment operating income (d)	260,033	223,567	36,466	16.3	757,541	637,283	120,258	18.9
Less:								
Share-based compensation	8,407	13,069	(4,662)	(35.7)	28,462	33,792	(5,330)	(15.8)
TransFirst M&A and integration expenses	1,052	1,830	(778)	(42.5)	10,086	25,908	(15,822)	(61.1)
Litigation, claims, judgments or settlements	26	-	26	na	1,904	-	1,904	na
Acquisition intangible amortization	50,856	53,341	(2,485)	(4.7)	156,966	134,748	22,218	16.5
Operating income	199,692	155,327	44,365	28.6	560,123	442,835	117,288	26.5
Nonoperating expenses, net	(28,835)	(30,368)	1,533	5.0	(88,780)	(82,225)	(6,555)	(8.0)
Income before income taxes and equity in income of equity investments	\$ 170,857	124,959	45,898	36.7 %	\$ 471,343	360,610	110,733	30.7 %
Net revenue by segment:								
Issuer Solutions (e)	\$ 401,074	379,145	21,929	5.8 %	\$ 1,181,090	1,135,016	46,074	4.1 %
Merchant Solutions (f)	281,819	262,494	19,325	7.4	820,968	644,573	176,395	27.4
Netspend (g)	179,918	155,349	24,569	15.8	560,448	502,961	57,487	11.4
Segment net revenue	862,811	796,988	65,823	8.3	2,562,506	2,282,550	279,956	12.3
Less: Intersegment revenues	10,052	7,400	2,652	35.8	32,787	26,381	6,406	24.3
Net revenue (h)	852,759	789,588	63,171	8.0	2,529,719	2,256,169	273,550	12.1
Add: reimbursable items, interchange and assessments expenses	394,817	357,300	37,517	10.5	1,124,957	781,684	343,273	43.9
Total revenues	\$ 1,247,576	1,146,888	100,688	8.8 %	\$ 3,654,676	3,037,853	616,823	20.3 %
Adjusted segment operating margin on segment net revenue:								
Issuer Solutions (a)/(e)	36.8%	34.0%			36.3%	34.6%		
Merchant Solutions (b)/(f)	36.6%	34.6%			36.1%	34.0%		
Netspend (c)/(g)	27.0%	26.3%			25.6%	25.0%		
Adjusted segment operating margin on net revenue: (d)/(h)	30.5%	28.3%			29.9%	28.2%		

na = not applicable

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TSYS
Segment Breakdown
(unaudited)
(in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change		2017	2016	Change	
			\$	%			\$	%
Depreciation and amortization by segment:								
Issuer Solutions	\$ 36,699	34,590	2,109	6.1 %	\$ 109,287	105,858	3,429	3.2 %
Merchant Solutions	7,588	6,846	742	10.8	21,990	18,702	3,288	17.6
Netspend	3,785	3,241	544	16.8	12,057	9,466	2,591	27.4
Depreciation and amortization	48,072	44,677	3,395	7.6	143,334	134,026	9,308	6.9
Acquisition intangible amortization	50,856	53,341	(2,485)	(4.7)	156,966	134,748	22,218	16.5
Corporate admin and other	1,356	898	458	51.0	3,521	2,694	827	30.7
Total depreciation and amortization	\$ 100,284	98,916	1,368	1.4 %	\$ 303,821	271,468	32,353	11.9 %

Segment statistical data:

Issuer Solutions

Total transactions (in millions)	5,494.9	5,060.3	434.6	8.6 %	15,712.1	14,633.4	1,078.7	7.4 %
Total Accounts on file (AOF) (in millions)					797.3	738.8	58.5	7.9 %
Total Traditional AOF (in millions)					562.1	511.2	50.9	10.0 %

Merchant Solutions

Point-of-sale transactions (in millions)	1,260.9	1,177.1	83.8	7.1 %	3,622.2	3,427.6	194.6	5.7 %
Dollar sales volume (in millions)	\$ 31,478.2	28,680.7	2,797.5	9.8 %	\$ 91,726.1	69,024.9	22,701.2	32.9 %
Segment net revenue per transaction	\$ 0.223	0.223	0.001	0.2 %	\$ 0.227	0.188	0.039	20.5 %

Netspend

Gross dollar volume (in millions)	\$ 7,242.3	6,367.0	875.3	13.7 %	\$ 24,455.1	22,143.3	2,311.8	10.4 %
Direct deposit 90-day active cards (in thousands)					2,315.3	2,079.8	235.5	11.3 %
90-day active cards (in thousands)					4,697.2	4,162.7	534.5	12.8 %
% of 90-day active cards with direct deposit					49.3%	50.0%		

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TSYS
Condensed Balance Sheet
(unaudited)
(in thousands)

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 413,622	425,354
Accounts receivable, net	409,167	432,847
Other current assets	176,049	164,488
Total current assets	<u>998,838</u>	<u>1,022,689</u>
Goodwill	3,272,792	3,270,952
Software and other intangible assets, net	1,166,098	1,329,864
Property and equipment, net	282,490	282,345
Other long term assets	498,672	460,327
Total assets	<u>\$ 6,218,890</u>	<u>6,366,177</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 53,460	38,712
Current portion of long-term borrowings, capital leases and license agreements	565,660	50,727
Other current liabilities	352,560	330,914
Total current liabilities	<u>971,680</u>	<u>420,353</u>
Long-term borrowings, capital leases and license agreements, excluding current portion	2,394,283	3,313,276
Deferred income tax liabilities	374,778	419,552
Other long-term liabilities	107,987	88,983
Total liabilities	<u>3,848,728</u>	<u>4,242,164</u>
Redeemable noncontrolling interest	<u>13,402</u>	<u>24,093</u>
Equity	<u>2,356,760</u>	<u>2,099,920</u>
Total liabilities and equity	<u>\$ 6,218,890</u>	<u>6,366,177</u>

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TSYS
Selected Cash Flow Highlights
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 348,345	251,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of equity investments, net of tax	(30,919)	(18,953)
Dividends received from equity investments	20,589	15,246
Depreciation and amortization	303,821	271,468
Amortization of debt issuance costs	3,247	12,499
Share-based compensation	28,462	33,792
Deferred income tax (benefit) expense	(46,435)	4,110
Other noncash adjustments	55,764	35,689
Changes in operating assets and liabilities	(30,849)	(54,368)
Net cash provided by operating activities	652,025	551,080
Purchases of property and equipment	(42,572)	(32,134)
Additions to licensed computer software from vendors	(23,114)	(11,112)
Additions to internally developed computer software	(22,011)	(25,705)
Additions to contract acquisition costs	(21,662)	(38,384)
Cash used in acquisitions, net of cash acquired	-	(2,345,493)
Other investing activities	(1,436)	(4,430)
Net cash used in investing activities	(110,795)	(2,457,258)
Principal payments on long-term borrowings, capital lease obligations and license agreements	(415,788)	(618,598)
Proceeds from long-term borrowings	-	2,666,295
Debt issuance costs	-	(26,563)
Purchase of noncontrolling interests	(70,000)	(5,878)
Dividends paid on common stock	(55,151)	(55,000)
Proceeds from exercise of stock options	15,499	9,980
Other financing activities	(33,111)	(608)
Net cash (used in) provided by financing activities	(558,551)	1,969,628
Cash and cash equivalents:		
Effect of exchange rate changes on cash and cash equivalents	5,589	(5,895)
Net (decrease) increase in cash and cash equivalents	(11,732)	57,555
Cash and cash equivalents at beginning of period	425,354	389,328
Cash and cash equivalents at end of period	\$ 413,622	446,883
Supplemental		
Capital expenditures	\$ 109,359	107,335
Free cash flow (non-GAAP)*	\$ 542,666	443,745

* See reconciliation of non-GAAP measures.

TSYS
Supplemental Information
(unaudited)

Other

AOF:

<i>(in millions)</i>	Total Accounts on File		
	At September 2017	At September 2016	% Change
Consumer	474.7	433.5	9.5
Commercial	52.8	48.0	9.9
Other	34.6	29.7	16.5
Traditional AOF	562.1	511.2	10.0
Prepaid*/Stored Value	50.6	58.9	(14.0)
Government Services	92.1	85.7	7.5
Commercial Card Single Use	92.5	83.0	11.4
Total AOF	<u>797.3</u>	<u>738.8</u>	7.9

* Prepaid does not include Netspend accounts

Growth in Accounts on File (in millions):

	September 2016 to September 2017	September 2015 to September 2016
Beginning balance	738.8	760.4
Change in accounts on file due to:		
Internal growth of existing clients	53.2	53.8
New clients	29.5	31.6
Purges/Sales	(23.6)	(16.7)
Deconversions	(0.6)	(90.3)
Ending balance	<u>797.3</u>	<u>738.8</u>

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Reconciliation of GAAP to Non-GAAP Financial Measures

Non-GAAP Measures

The schedules below provide a reconciliation of revenues and operating results on a constant currency basis to reported revenues and operating income. This non-GAAP measure presents third quarter and year-to-date 2017 financial results using the previous year's foreign currency exchange rates. On a constant currency basis, TSYS' total year-to-date revenues for the third quarter of 2017 grew 21.0% as compared to a reported GAAP increase of 20.3%.

The schedules below also provide a reconciliation of diluted EPS to adjusted diluted EPS.

The schedules below also provide a reconciliation of net income to adjusted EBITDA.

The schedules below also provide a reconciliation of cash flows from operating activities and capital expenditures to free cash flow.

The schedules below also provide a reconciliation of 2017 guidance of total revenues to net revenue and diluted EPS to adjusted diluted EPS.

The tax rate used in the calculation of adjusted diluted EPS for the quarter and year is equal to an estimate of our annual effective tax rate on GAAP income. This effective rate is estimated annually and may be adjusted during the year to take into account events or trends that materially impact the effective tax rate including, but not limited to, significant changes resulting from tax legislation, material changes in the mix of revenues and expenses by entity and other significant events.

TSYS believes that non-GAAP financial measures are important to enable investors to understand and evaluate its ongoing operating results. Accordingly, TSYS includes non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate TSYS' ongoing business operations. TSYS believes that the non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of TSYS' current and ongoing business operations.

Although non-GAAP financial measures are often used to measure TSYS' operating results and assess its financial performance, they are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation.

TSYS believes that its provision of non-GAAP financial measures provides investors with important key financial performance indicators that are utilized by management to assess TSYS' operating results, evaluate the business and make operational decisions on a prospective, going-forward basis. Hence, management provides disclosure of non-GAAP financial measures to give shareholders and potential investors an opportunity to see TSYS as viewed by management, to assess TSYS with some of the same tools that management utilizes internally and to be able to compare such information with prior periods. TSYS believes that inclusion of non-GAAP financial measures provides investors with additional information to help them better understand its financial statements just as management utilizes these non-GAAP financial measures to better understand the business, manage budgets and allocate resources.

Reconciliation of GAAP to Non-GAAP

	Constant Currency Comparison (unaudited) (in thousands)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Percent Change	2017	2016	Percent Change
Consolidated						
Constant currency (1)	\$ 1,247,808	1,146,888	8.8 %	\$ 3,676,013	3,037,853	21.0 %
Foreign currency impact (2)	(232)	-		(21,337)	-	
Total revenues	<u>\$ 1,247,576</u>	<u>1,146,888</u>	8.8 %	<u>\$ 3,654,676</u>	<u>3,037,853</u>	20.3 %
Constant currency (1)	\$ 852,975	789,588	8.0 %	\$ 2,549,574	2,256,169	13.0 %
Foreign currency impact (2)	(216)	-		(19,855)	-	
Net revenue	<u>\$ 852,759</u>	<u>789,588</u>	8.0 %	<u>\$ 2,529,719</u>	<u>2,256,169</u>	12.1 %
Constant currency (1)	\$ 200,574	155,327	29.1 %	\$ 570,467	442,835	28.8 %
Foreign currency impact (2)	(882)	-		(10,344)	-	
Operating income	<u>\$ 199,692</u>	<u>155,327</u>	28.6 %	<u>\$ 560,123</u>	<u>442,835</u>	26.5 %
Issuer Solutions						
Constant currency (1)	\$ 453,665	429,078	5.7 %	\$ 1,354,497	1,288,656	5.1 %
Foreign currency impact (2)	(202)	-		(21,281)	-	
Total revenues	<u>\$ 453,463</u>	<u>429,078</u>	5.7 %	<u>\$ 1,333,216</u>	<u>1,288,656</u>	3.5 %
Constant currency (1)	\$ 401,261	379,145	5.8 %	\$ 1,200,889	1,135,016	5.8 %
Foreign currency impact (2)	(187)	-		(19,799)	-	
Segment net revenue	<u>\$ 401,074</u>	<u>379,145</u>	5.8 %	<u>\$ 1,181,090</u>	<u>1,135,016</u>	4.1 %

(1) Reflects current period results on a non-GAAP basis as if foreign currency rates did not change from the comparable prior year period.

(2) Reflects the impact of calculated changes in foreign currency rates from the comparable period.

	Net Revenue (unaudited) (in thousands)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Percent Change	2017	2016	Percent Change
Total revenues	\$ 1,247,576	1,146,888	8.8 %	\$ 3,654,676	3,037,853	20.3 %
Less: reimbursable items, interchange and assessments expenses	394,817	357,300	10.5	1,124,957	781,684	43.9
Net revenue	<u>\$ 852,759</u>	<u>789,588</u>	8.0 %	<u>\$ 2,529,719</u>	<u>2,256,169</u>	12.1 %

Reconciliation of GAAP to Non-GAAP

Adjusted Diluted Earnings per Share (unaudited) (in thousands, except per share data)						
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Percent Change	2017	2016	Percent Change
Net income attributable to						
TSYS common shareholders	\$ 123,095	85,352	44.2 %	\$ 343,977	245,688	40.0 %
Adjust for amounts attributable to TSYS common shareholders:						
Add: Acquisition intangible amortization	\$ 50,704	53,065	(4.4)	\$ 156,489	133,920	16.9
Add: Share-based compensation	8,404	13,059	(35.6)	28,455	33,766	(15.7)
Add: TransFirst M&A expenses*	1,052	1,830	(42.5)	10,025	35,689	(71.9)
Add: Litigation, claims, judgments or settlements**	26	-	na	1,904	-	na
Less: Tax impact of adjustments***	(20,614)	(22,633)	8.9	(67,702)	(62,264)	(8.7)
Adjusted earnings	\$ <u>162,667</u>	<u>130,673</u>	24.5 %	\$ <u>473,148</u>	<u>386,799</u>	22.3 %
Diluted EPS - Net income attributable to						
TSYS common shareholders						
As reported (GAAP)	\$ <u>0.66</u>	<u>0.46</u>	43.3 %	\$ <u>1.85</u>	<u>1.33</u>	39.2 %
Adjusted diluted EPS	\$ <u>0.88</u>	<u>0.71</u>	23.7 %	\$ <u>2.55</u>	<u>2.10</u>	21.6 %
Weighted average diluted shares outstanding	<u>185,809</u>	<u>184,640</u>		<u>185,472</u>	<u>184,429</u>	

* Costs associated with the TransFirst acquisition and integration that are included in selling, general and administrative expenses and nonoperating expenses.

** Litigation settlement or settlement discussions and related legal expenses.

*** Certain of these merger and acquisition costs are nondeductible for income tax purposes. Income tax impact includes a discrete item as a result of the acquisition.

Adjusted EBITDA (unaudited) (in thousands)						
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Percent Change	2017	2016	Percent Change
Net income	\$ 124,726	87,441	42.6 %	\$ 348,345	251,597	38.5 %
Adjust for:						
Less: Equity in income of equity investments	(8,497)	(6,729)	(26.3)	(30,919)	(18,953)	(63.1)
Add: Income taxes	54,628	44,247	23.5	153,917	127,966	20.3
Add: Interest expense, net	28,501	30,634	(7.0)	87,811	83,700	4.9
Add: Depreciation and amortization	100,284	98,916	1.4	303,821	271,468	11.9
Less: (Gain)/loss on foreign currency translations	427	(194)	nm	1,250	(1,664)	nm
Less: Other nonoperating (income)/expenses	(93)	(72)	(29.2)	(281)	189	nm
Add: Share-based compensation	8,407	13,069	(35.7)	28,462	33,792	(15.8)
Add: TransFirst M&A expenses*	1,052	1,830	(42.5)	10,086	25,908	(61.1)
Add: Litigation, claims, judgments or settlements	26	-	na	1,904	-	na
Adjusted EBITDA	\$ <u>309,461</u>	<u>269,142</u>	15.0 %	\$ <u>904,396</u>	<u>774,003</u>	16.8 %

* Costs associated with the TransFirst acquisition and integration that are included in selling, general and administrative expenses.

nm = not meaningful

na = not applicable

Reconciliation of GAAP to Non-GAAP

Free Cash Flow (unaudited) (in thousands)		
Free cash flow:	Nine Months Ended September 30,	
	2017	2016
Net cash provided by operating activities (GAAP)	\$ 652,025	551,080
Capital expenditures	(109,359)	(107,335)
Free cash flow (non-GAAP)	<u>\$ 542,666</u>	<u>443,745</u>

Revised Guidance Summary
(unaudited)
(in millions, except per share data)

Revenue:	2017		% Change			
Total revenues (GAAP)	\$ 4,839	to	\$ 4,889	16%	to	17%
Less: reimbursable items, interchange and assessments expenses	1,494	to	1,494			
Net revenue (non-GAAP)	<u>\$ 3,345</u>	to	<u>\$ 3,395</u>	10%	to	12%

Earnings per share (EPS):

Diluted EPS (GAAP)	\$ 2.37	to	\$ 2.43	37%	to	40%
Acquisition intangible amortization, share-based compensation, litigation, claims, judgments or settlements and TransFirst M&A expenses, less the tax impact of adjustments	0.92	to	0.92			
Adjusted diluted EPS attributable to TSYS common shareholders* (non-GAAP)	<u>\$ 3.29</u>	to	<u>\$ 3.35</u>	18%	to	20%

* Weighted average diluted shares outstanding 186